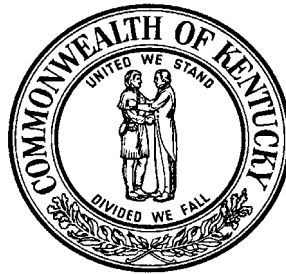


**LETTER FROM THE AUDITOR OF PUBLIC ACCOUNTS  
DEPARTMENT OF PARKS**

**In Reference to the Statewide Single Audit  
of the Commonwealth of Kentucky**

**For the Year Ended June 30, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE (502) 573-0050  
FACSIMILE (502) 573-0067**



## **TABLE OF CONTENTS**

MANAGEMENT LETTER.....	1
LIST OF ABBREVIATIONS/ACRONYMS.....	3
FINANCIAL STATEMENT FINDINGS .....	4
<i>Reportable Conditions Relating to Internal Controls and/or</i>	
<i>Reportable Instances of Noncompliance</i> .....	4
FINDING 04-PARKS-1: The Department Of Parks Should Improve Controls Over Timesheets And Payroll Reports .....	4
<i>Other Matters Relating to Internal Controls and/or Instances of Noncompliance</i> .....	5
FINDING 04-PARKS-2: The Department Of Parks Should Strengthen Controls Over The Review Of Supporting Documentation Prior To Payment .....	5
FINDING 04-PARKS-3: The Department of Parks Should Improve Controls Over Inventory Count And Safeguard Of Inventories .....	6
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	8





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

W. James Host, Secretary, Commerce Cabinet  
George Ward, Commissioner, Department of Parks

**MANAGEMENT LETTER**

Pursuant to KRS 43.090 (1), which states, "[i]mmediately upon completion of each audit and investigation, except those provided for in KRS 43.070, the Auditor shall prepare a report of his findings and recommendations," we are providing this letter to the Department of Parks to comply with KRS 43.090.

This letter presents the results of the work performed at the Department of Parks, as part of our annual audit of the Commonwealth of Kentucky's financial statements.

In planning and performing our audit of the basic financial statements of the Commonwealth for the year ended June 30, 2004, we considered the Department of Parks' internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control and its operation that we considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Department of Parks' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

As part of our audit of the Commonwealth's basic financial statements, we also performed tests of the Department of Parks' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. The results of those tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*.



W. James Host, Secretary, Commerce Cabinet  
George Ward, Commissioner, Department of Parks  
(Continued)

Some findings are Other Matters that we have included in this letter to communicate with management in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

Included in this letter are the following:

- ◆ Acronym List
- ◆ Findings and Recommendations (Reportable Conditions, Noncompliance, and Other Matters)
- ◆ Summary Schedule of Prior Year Audit Findings

We have issued our Statewide Single Audit of the Commonwealth of Kentucky that contains the Department of Parks' findings, as well as those of other agencies of the Commonwealth. This report can be viewed on our website at [www.auditor.ky.gov](http://www.auditor.ky.gov).

This letter is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

February 28, 2005

**LIST OF ABBREVIATIONS/ACRONYMS**

KAR	Kentucky Administrative Regulation
KRS	Kentucky Revised Statute
Parks	Department of Parks
UPPS	Uniform Payroll and Personnel System

**FINANCIAL STATEMENT FINDINGS***Reportable Conditions Relating to Internal Controls and/or  
Reportable Instances of Noncompliance***FINDING 04-PARKS-1: The Department Of Parks Should Improve Controls Over Timesheets And Payroll Reports**

---

During payroll testing at the Department of Parks, we examined a sample of 25 the Department of Parks' employees' personnel records, timesheets and timecards for several attributes. The results of our testing included the following exceptions:

- An employee's compensatory time was not added to his leave balance. This was corrected during testing.
- An employee took sick leave but no request for leave was present.
- An employee worked overtime but no overtime request form was present.
- An employee's timecard from one state park could not be located. However after additional searching the employee's timecard was found. The following exceptions were noted for this timecard. This employee's working hours and overtime hours were overstated. We requested his timecards for three more pay periods. One timecard shows incorrect working hours. The working hours were overstated. The hours he took for sick leave were more than what he should have taken. His overtime hours were overstated in the payroll worksheet.

Failure to add compensatory time earned on the leave balance would show an inaccurate leave balance. Failure to present leave forms or overtime request would not show evidence of approval. Failure to ensure that working hours are calculated correctly on timecards would show incorrect numbers in the UPPS. Employees would be paid incorrectly.

101 KAR 2:034 Section 7(3) states an employee who is eligible for overtime shall request permission from or be directed in advance by the supervisor to work overtime.

101 KAR 2:102 Section 2(5) states an employee shall file a written application for sick leave with or without pay within a reasonable time.

In addition, good internal controls dictate that timesheet/timecards and supporting forms should be reviewed to prevent errors in recording payroll.



## **FINANCIAL STATEMENT FINDINGS**

### ***Reportable Conditions Relating to Internal Controls and/or Reportable Instances of Noncompliance***

#### **FINDING 04-PARKS-1: The Department Of Parks Should Improve Controls Over Timesheets And Payroll Reports (Continued)**

---

##### **Recommendation**

We recommend the following:

- A request for overtime should be submitted by each employee prior to any overtime worked.
- Leave forms should be submitted to obtain approval if leave is taken.
- Timesheets, timecards, leave requests, overtime requests and reports should be examined more closely to prevent errors in payroll. They should be maintained centrally and easily located.

##### **Management's Response and Corrective Action Plan**

*We agree with your recommendations. The first 2 are procedures that are in place and we feel these are isolated incident. But, it is important that they be complied to. So, we will remind everyone that overtime and leave requires prior approval and written documentation.*

*As to the last comment concerning the lost timecard, this park went through 3 payroll officers in 18 months. The Payroll Manager of the Central Office has discussed in great detail the importance for them to keep more accurate records in the future.*

**FINANCIAL STATEMENT FINDINGS*****Other Matters Relating to Internal Controls and/or Instances of Noncompliance*****FINDING 04-PARKS-2: The Department Of Parks Should Strengthen Controls Over The Review Of Supporting Documentation Prior To Payment**

---

During expenditures testing at the Department of Parks, the auditor searched for duplicate payments. Three duplicate payments were found. One duplicate payment occurred at the Central Office in Frankfort. It was corrected by the Department of Parks itself in the following month. The other two duplicate payments occurred at two different state parks. The auditor notified the Central Office of these two duplicate payments. One has already been given credit from the next purchase. The other one was not given credit in a full amount.

The Commonwealth will lose money if duplicate payments are made and go undetected.

Good internal controls and good business practice dictate that invoices and payments should be reviewed to ensure the payment is for true services/goods received.

**Recommendation**

We recommend the Department of Parks carefully examine the supporting documentation for payments to ensure that the full payment is only made once. The Department of Parks should make sure the credit for duplicate payment is fully taken.

**Management's Response and Corrective Action Plan**

*We agree with your comment of the need of carefully examining the supporting documentation for payments. The system will identify payments about to be paid that match an invoice # already paid. But, that automated feature will not catch invoices with no invoice # or an invoice # entered incorrectly. So, we will also contact park management and emphasize the importance that they review the Expenditure Ledger thoroughly at least once a month.*

## **FINANCIAL STATEMENT FINDINGS**

### ***Other Matters Relating to Internal Controls and/or Instances of Noncompliance***

#### **FINDING 04-PARKS-3: The Department of Parks Should Improve Controls Over Inventory Count And Safeguard Of Inventories**

---

We observed year-end inventory counts at fourteen (14) state parks. At three of the parks, we noted a variety of control weaknesses; including personnel conducting the inventory counts were not aware of the policies and procedures outlined in the Department of Parks Business Procedures Manual.

At one park, we noted that the gift shop remains open and accessible to guests at all times, even after business hours. At shift's end, when receipts and keys are turned into the front desk clerk, the clerk watches over the shop and performs any sales initiated by the guests. Gift shop personnel at this facility noted that when they have arrived for their shift the following day that there have been items missing, moved, and children's toys left in the shop.

Good internal controls dictate that a consistent set of procedures be followed when conducting a physical inventory count. Since the Department of Parks' procedures were not followed consistently by the Department of Parks' personnel, there is an increased risk that counts are inaccurate. Also, when facilities remain open at all times with no direct supervision of the facility there is a risk that theft could occur and not be detected.

Proper internal controls dictate that procedures should be in place to ensure the timeliness, existence, completeness, and accuracy of inventory items reported by the Department of Parks.

#### **Recommendation**

We recommend that the Department of Parks conduct an annual inventory count following the policies and procedures outlined in the Department of Parks Business Procedures Manual. This would include and not be limited to having policies on hand at each facility that a count is being conducted. This would also increase the likelihood of having adequately instructed individuals conducting the inventory count.

We further recommend that the Department of Parks adhere to the posted business hours of each facility. If facilities should remain open at all times, the facility should have staff present to help reduce the risk of theft from occurring.

**FINANCIAL STATEMENT FINDINGS*****Other Matters Relating to Internal Controls and/or Instances of Noncompliance*****FINDING 04-PARKS-3: The Department of Parks Should Improve Controls Over Inventory Count And Safeguard Of Inventories (Continued)**

---

**Management's Response and Corrective Action Plan**

*As you noted in your recommendation, our Business Procedures Manual has controls in place that address your findings. We will conduct a refresher with the appropriate management of their duties as it relates to the year-end inventory counts. Such as, either the business manager or park manager must observe and spot check the physical counts. My office will prescribe steps park management should take prior to the count. (e.g., meet with the count teams and remind them of the correct procedures.)*

*The problem we are having with two gift shops in our system (Kenlake and Pennyrile) is that we have no full time employee assigned to those shops because they are low volume and their sales don't really justify a full time employee. We do have seasonals, but not year-round. These shops are in direct line of sight to the front desk, so purchases can be monitored and rung up at the front desk. We realize some inventory maybe lost to theft but we feel this is an insignificant amount. Since they are not always staffed, we sometimes leave them open longer than what's considered "normal business hours" to accommodate our guests.*

*We are initiating a policy where all gift shops will be open May 1 thru Labor Day and will be staffed during this--our busy season. Shop hours of operation will be posted on the front door of all Gift Shops and the hours will be followed as posted.*

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding</b>	<b>CFDA Number</b>	<b>Questioned Costs</b>	<b>Comments</b>
------------------------	---------------------------	----------------	------------------------	-----------------------------	-----------------

**Reportable Conditions**

*(1) Audit findings that have been fully corrected:*

No findings for this section.

*(2) Audit findings not corrected or partially corrected:*

No findings for this section.

*(3) Corrective action taken is significantly different from corrective action previously reported:*

No findings for this section.

*(4) Audit finding is no longer valid or does not warrant further action:*

No findings for this section.

**Material Weaknesses/Noncompliances**

*(1) Audit findings that have been fully corrected:*

No findings for this section.

*(2) Audit findings not corrected or partially corrected:*

No findings for this section.

*(3) Corrective action taken is significantly different from corrective action previously reported:*

No findings for this section.

*(4) Audit finding is no longer valid or does not warrant further action:*

No findings for this section.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding</b>	<b>CFDA Number</b>	<b>Questioned Costs</b>	<b>Comments</b>
------------------------	---------------------------	----------------	------------------------	-----------------------------	-----------------

**Other Matters**

***(1) Audit findings that have been fully corrected:***

No findings for this section.

***(2) Audit findings not corrected or partially corrected:***

No findings for this section.

***(3) Corrective action taken is significantly different from corrective action previously reported:***

No findings for this section.

***(4) Audit finding is no longer valid or does not warrant further action:***

No findings for this section.

